

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 ERDA-05 DODE-00

FEAE-00 FPC-01 H-02 INT-05 L-03 NSC-05 PM-04 USIA-06

OES-06 SS-15 ACDA-07 EURE-00 IO-13 ARA-06 AF-08 /143 W
----- 045591

P R 091725Z SEP 76

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 1813

INFO ALL EC CAPITALS 2457

AMEMBASSY BERN

AMEMBASSY OTTAWA

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

C O N F I D E N T I A L EC BRUSSELS 08792

E.O. 11652: GDS

TAGS: ENRG, CIEC, EEC

SUBJECT: EC COMMISSION VIEWS ON THE SECOND PHASE OF CIEC

REF: (A) EC BRUSSELS 8722 (NOTAL), (B) EC BRUSSELS 8633 (NOTAL),
(C) EC BRUSSELS 8632 (NOTAL)

1. SUMMARY: DURING AN INFORMAL DINNER CONVERSATION ON CIEC PROSPECTS, COMMISSION AND DUTCH PERMDEL OFFICIALS INDICATED A CLEAR PREFERENCE FOR CONTINUATION OF CIEC. THEY EMPHASIZED, HOWEVER, THAT THE G-8 MUST BE READY TO RESPOND ADEQUATELY TO G-19 DEMANDS, ESPECIALLY ON LDC EXTERNAL DEBT AND COMMODITY ISSUES, IF AN ACRIMONIOUS CONCLUSION OF THE DIALOGUE IS TO BE AVOIDED. COMMISSION OFFICIALS CONCEDE THAT MANY OF THE G-19 DEMANDS WILL NOT APPRECIABLY INCREASE THE FLOW OF RESOURCES TO THE LDCS OR MAKE ECONOMIC SENSE. NEVERTHELESS, THEY BELIEVE THAT FOR POLITICAL REASONS THE
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G-8 MUST BE RESPONSIVE IN ORDER TO MAINTAIN AN AMICABLE

INTERNATIONAL ENVIRONMENT AND TO PRESERVE A FORUM FOR NORTH-SOUTH DISCUSSIONS. END SUMMARY.

2. THE AMBASSADOR HOSTED A DINNER ON SEPTEMBER 8 FOR DEPUTY ASST. SECRETARY BOSWORTH AND FEA ASST. ADMINISTRATOR MALIN TO DISCUSS WITH EC OFFICIALS PROSPECTS FOR THE SECOND PHASE OF NORTH-SOUTH DIALOGUE. COMMISSION OFFICIALS ATTENDING WERE: WELLENSTEIN AND CASPARI OF EXTERNAL AFFAIRS; WILLIAMS OF ENERGY; DURIEUX OF DEVELOPMENT; NICOLAI OF INDUSTRY; AND VANDEN ABEELE OF ORTOLI'S CABINET. REPRESENTING THE COUNCIL PRESIDENCY WERE GAUTIER FROM DUTCH DIRECTORATE OF ECONOMIC COOPERATION AND JACOBOWITS OF DUTCH PERM DEL.

3. WELLENSTEIN SUMMARIZED REMARKS WHICH HE HAD MADE TO COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER) ON SEPT. 8 CONCERNING OPTIONS FACING THE EC AND OTHER INDUSTRIALIZED COUNTRIES REGARDING THE FUTURE OF THE DIALOGUE. AS A FIRST OPTION, SHOULD THE G-8 CONCLUDE THAT IT CANNOT COME FORWARD WITH RESPONSIVE ALTERNATIVES TO MEET THE G-19 DEMANDS, PARTICULARLY ON DEBT AND A COMMON FUND FOR COMMODITIES, THEN THE DIALOGUE SHOULD BE BROKEN OFF NOW. THIS WOULD REDUCE THE POLITICAL DAMAGE INCURRED BUT WOULD ALSO CREATE THE POSSIBILITY THAT OPEC MIGHT POINT TO THE LACK OF G-8 RESPONSIVENESS AS A FACTOR IN A POSSIBLE FUTURE INCREASE IN THE PRICE OF OIL. WELLENSTEIN ADDED THAT A VARIATION OF THIS OPTION WOULD BE TO EXTEND THE DIALOGUE BEYOND DECEMBER IN THE EXPECTATION THAT GOVERNMENTS WOULD BE PREPARED TO TAKE DECISIONS ONCE NATIONAL ELECTIONS WERE OVER AND ADMINISTRATIONS HAD A CHANCE TO REVIEW POLICY ISSUES. THE AMBASSADOR AND MALIN MADE THE POINT, HOWEVER, THAT US POSITIONS ON THESE ISSUES WOULD NOT LIKELY CHANGE NO MATTER WHAT MIGHT BE THE OUTCOME OF THE US ELECTIONS. WELLENSTEIN AND OTHERS CONCURRED THAT THE DECEMBER TERMINAL DATE SHOULD BE MAINTAINED.

4. AS A SECOND OPTION--ONE WHICH WELLENSTEIN AND OTHER EC OFFICIALS PREFERRED--THE DIALOGUE SHOULD BE CONFIDENTIAL

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CONTINUED. BUT, IN SUCH A CASE, THE G-8 SHOULD BE READY TO PUT FORWARD CONSTRUCTIVE PROPOSALS ON KEY G-19 DEMANDS. WELLENSTEIN, CASPARI, AND NICOLIA AGREED ON CONTINUATION FOR THE FOLLOWING REASONS: 1) CIEC WAS A MORE FAVORABLE FORUM FOR SERIOUS DISCUSSIONS AND CONCLUSIONS THAN OTHER INTERNATIONAL NORTH-SOUTH GROUPS; 2) SHOULD CIEC COLLAPSE NOW, THERE MIGHT NOT BE ANOTHER OPPORTUNITY FOR 5-10 YEARS TO

MEET WITH THE DEVELOPING COUNTRIES IN A RESTRICTED, SERIOUS FORUM SIMILAR TO CIEC; 3) THE DIALOGUE HAS HELPED TO IMPRESS UPON OPEC THE IMPACT OF ITS OIL PRICE INCREASES ON THE DEVELOPMENT CAPABILITIES OF THE NON-ENERGY PRODUCING LDCS; AND 4) SUCCESSFUL CONCLUSION OF CIEC WOULD HELP IMPROVE THE INTERNATIONAL POLITICAL CLIMATE SO THAT THE INDUSTRIAL COUNTRIES COULD CONTINUE TO CARRY OUT BILATERAL AND MULTILATERAL NEGOTIATIONS WITH THE LDCS TO OBTAIN NECESSARY RAW MATERIAL IMPORTS. EC OFFICIALS ARE ANXIOUS TO ESTABLISH A FRAMEWORK FOR SUCH COOPERATION NOW, WHILE EUROPEAN DEPENDENCE ON THE LDC SOURCES OF INDUSTRIAL RAW MATERIALS IS STILL MANAGEABLE, RATHER THAN WAIT ANOTHER DECADE WHEN THAT DEPENDENCE WILL HAVE SIGNIFICANTLY INCREASED AND THEIR BARGAINING POSITION CORRESPONDINGLY WEAKENED.

5. WELLENSTEIN AND CASPARI WERE PARTICULARLY CRITICAL OF THE G-8'S FAILURE TO USE CIEC AS THE FORUM TO ADVANCE NEW INITIATIVES THUS SHOWING THAT A RESTRICTED FRAMEWORK CAN PRODUCE BETTER RESULTS THAN THOSE TO BE GAINED FROM THE APPLICATION OF PRESSURE TACTICS SUCH AS WAS USED AT UNCTAD IV. THEY POINTED TO THE JAMAICA FINANCIAL ARRANGEMENTS AND CONCESSIONS ON COMMODITIES AT NAIROBI AS EXAMPLES OF POOR INDUSTRIAL COUNTRY TACTICS, EITHER AS MAKING NEW CONCESSIONS IN THE WRONG FORUM OR BAD DECISIONS BECAUSE OF THE POLITICAL PRESSURE FOR SUCCESS. THESE ARE THE KINDS OF DECISIONS WHICH WOULD BETTER HAVE BEEN ADVANCE FIRST IN THE CALMER ATMOSPHERE OF CIEC, AND, THEY FELT, MIGHT HAVE BEEN BETTER AS A RESULT. WITHOUT AN EFFORT TO DEMONSTRATE THE G-8'S DESIRE TO RESPOND TO THE LDCS IN CIEC, THESE OFFICIALS WERE AFRAID THAT THE DIALOGUE WILL END BADLY. THEY SUGGEST THAT INSTEAD OF CAVING

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INTO INEVITABLE CIEC PRESSURE IN DECEMBER TO ADOPT A COMMON FUND, THE G-8 SHOULD PUT FORWARD A WORKABLE ALTERNATIVE FUND PROPOSAL, AND TAKE THE INITIATIVE AWAY FROM THE UNCTAD SCHEME AND FORUM. THIS PROPOSAL WOULD BE DESIGNED NOT TO INTERFERE WITH COMMODITY MARKETS AND INVOLVE A MINIMUM OF ADDITIONAL FINANCING. SIMILARLY, THE G-8 SHOULD PROPOSE NOW COMMON FEATURES FOR THE HANDLING OF NON-ACUTE LDC DEBT CASES. (SEE REF C FOR DETAILS OF THEIR IDEAS ON THE COMMON FUND.)

6. COMMISSION OFFICIALS DID NOT REALLY DISPUTE POINTS MADE BY BOSWORTH AND THE AMBASSADOR THAT DEBT AND COMMON FUND PROPOSALS OFFERED LITTLE OF REAL ECONOMIC VALUE FOR THE BULK OF THE LDCS. INSTEAD, THESE EC OFFICIALS ARGUED THAT PROGRESS WAS NEEDED ON THESE

ISSUES FOR POLITICAL REASONS, AND AS A MEANS OF PRE-SERVING THE FUTURE UTILITY OF A MORE RESTRAINED DIALGUE.

7. NEXT MORNING BOSWORTH AND MALIN CALLED ON DG FOR ENERGY WILLIAMS WHO STATED THAT EC HAD FIRMLY DECIDED NOT TO ACCEPT INDEXATION, OR EVEN STUDY OF INDEXATION, IN CIEC CONTEXT.

8. THIS MESSAGE WAS DRAFTED AFTER BOSWORTH AND MALIN DEPARTED FOR PARIS. HINTON

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Message Attributes

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